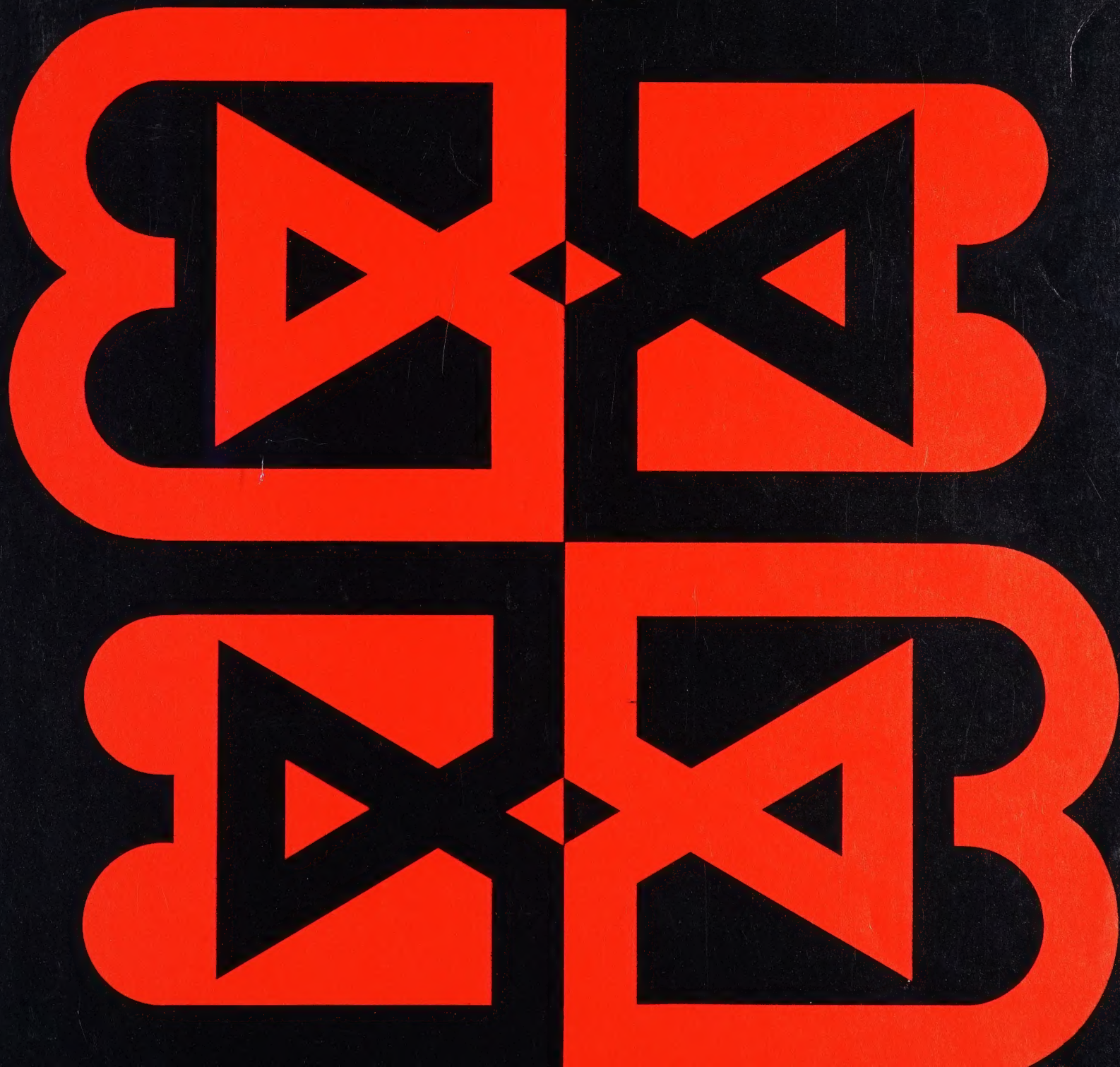


AR31

BLACK PHOTO CORPORATION LIMITED

ANNUAL REPORT
1974



BLACK PHOTO CORPORATION LIMITED

Financial Highlights	1974	1973
Sales	\$15,160,185	\$11,020,480
Net Earnings	847,728	645,600
Working Capital	3,316,765	2,706,239
Total Assets	6,664,346	5,920,469
Shareholders' Equity	4,699,452	4,001,901
Earnings per Share	79¢	61¢
Shares Outstanding	1,071,600	1,066,400

Directors and Officers

William E. Black
Chairman and President

Robert F. Black
Director and Vice-President

William J. Huntley
Director and Secretary-Treasurer

George W. Copeland, Q.C.
Director

Barry J. Black
Director

Donald E. Boxer
Director

Robert J. McMullen
Director

Head Office

10 Dyas Road, Don Mills, Ontario

Subsidiaries

Eddie Black's Limited
10 Dyas Road, Don Mills, Ontario

Educational Film Distributors Limited
285 Lesmill Road, Don Mills, Ontario

R & H Products Limited
743 Renaud Avenue, Montreal-Dorval, Quebec

Auditors

Messrs. Coopers & Lybrand
145 King Street West, Toronto, Ontario

Solicitors

Messrs. Miller, Thomson, Sedgewick, Lewis & Healy
Toronto, Ontario

Messrs. Bjarnason & Copeland
Toronto, Ontario

Bankers

Canadian Imperial Bank of Commerce
1865 Leslie Street, Don Mills, Ontario

Transfer Agent

Canada Permanent Trust Company
20 Eglinton Avenue West, Toronto, Ontario

Stock Listing

BPK – The Toronto Stock Exchange

Underwriter

Burns Bros. & Denton Limited
Toronto-Dominion Centre, Toronto, Ontario

To Our Shareholders:

Record sales and earnings were achieved by your Corporation for the fiscal year ended March 31, 1974. Sales increased by 38% to \$15,160,185 and net earnings increased by 31% to \$847,728. These results include R & H Products Limited, which was acquired as of December 31, 1972.

Our balance sheet position was strengthened and our working capital increased to \$3,316,765. The book value of the consolidated net tangible assets is now \$4.02 per share.

During the past year, dividends totalling 16¢ were paid on Class A shares. 13.6¢ was paid out of the tax paid undistributed surplus on Class B shares.

Our retail chain of Black's Camera Stores was expanded to thirty locations with the opening of stores in Scarborough Town Centre, Toronto and Bayshore Shopping Centre, Ottawa. Improved sales and results in retail operations were very gratifying and enhance our belief that specialty stores which provide services to the consumer through knowledgeable courteous staff can outperform self-serve discount stores and no-service catalogue counters. Further expansion will take place in high density commercial areas and regional shopping centres.

Our photofinishing plant operations were again very successful. Pocket-type cameras using 110 size film have now become a significant factor in our production. This new format, coupled with new film emulsions, necessitated the addition of some plant equipment. We introduced silk finish prints recently and have now begun production of borderless prints. Our mail order film service volume continued to be satisfactory, but further promotions are planned for this summer and sales are expected to show good growth.

Sales of video tape equipment were greatly improved during the past year and we are projecting further increases in the coming year. Conventional Audio-Visual and Educational Film products are at a static level. The

combined results from these operations are very satisfactory.

R & H Products Limited, which was acquired as of December 31, 1972, distributes Fuji film and Fujica cameras, Metz electronic flash products, Topcon cameras and a number of other brands of photographic supplies and accessories. The head office and warehouse are located in Montreal and branch offices are maintained in Toronto and Vancouver. Sales representatives cover all ten provinces. Results from this acquisition were very impressive and increasing consumer acceptance of Fuji products throughout the country is most encouraging. The recent introduction of a new single lens reflex Fujica camera with a revolutionary total automated exposure system is expected to generate further increases in future sales.

In the latter part of our fiscal year, abnormal relocation expenses were incurred. R & H Products' head office and warehouse in Montreal was moved and a Toronto sales office and branch warehouse was opened. Educational Film Distributors' office and warehouse was also moved to more efficient premises.

Rising costs, material shortages and political uncertainties will, no doubt, continue to present difficulties in the days ahead. We remain confident that we are in an expanding and growing industry and we will strive to participate in this growth to the greatest extent possible.

In summary, this past year was another excellent year for Black Photo Corporation and the results achieved were very gratifying. The efforts made by the management and personnel of our operating divisions are appreciated. The challenges of future expansion and improvements in day-to-day operations are being met by capable and conscientious people.

William E. Black, President.

BLACK PHOTO CORPORATION LIMITED

and subsidiary companies

Consolidated Balance Sheet

as at March 31, 1974

ASSETS

	1974	1973
CURRENT ASSETS		
Cash	\$ 213,671	\$ 505,405
Accounts receivable	1,410,458	1,028,168
Inventories — at the lower of cost or net realizable value	3,376,188	2,860,621
Prepaid expenses	37,715	16,679
	<u>5,038,032</u>	<u>4,410,873</u>
FIXED ASSETS (note 2)	<u>1,230,289</u>	<u>1,113,571</u>
EXCESS OF COST OF SHARES OF SUBSIDIARIES OVER NET BOOK VALUE AT DATE OF ACQUISITION	396,025	396,025

SIGNED ON BEHALF OF THE BOARD

William E. Black, Director

William J. Huntley, Director

<u>\$ 6,664,346</u>	<u>\$ 5,920,469</u>
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LIABILITIES

	1974	1973
CURRENT LIABILITIES		
Bank indebtedness	\$ 346,589	\$ —
Accounts payable and accrued liabilities	1,234,242	1,481,334
Income taxes payable	136,629	152,763
Current portion of long-term debt (note 3)	3,807	70,537
	<u>1,721,267</u>	<u>1,704,634</u>
LONG-TERM DEBT (note 3)	243,627	213,934
	<u>1,964,894</u>	<u>1,918,568</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)

Authorized — 4,601,000 shares of no par value		
Issued and fully paid —		
1,071,600 shares (1973 — 1,066,400)	1,354,791	1,336,071
Unpaid subscription	24,300	28,350
	<u>1,330,491</u>	<u>1,307,721</u>

RETAINED EARNINGS

	3,368,961	2,694,180
	<u>4,699,452</u>	<u>4,001,901</u>
	<u>\$ 6,664,346</u>	<u>\$ 5,920,469</u>

Consolidated Statement of Earnings and Retained Earnings

for the year ended March 31, 1974

	1974	1973
NET SALES	\$15,160,185	\$11,020,480
OPERATING COSTS AND OTHER EXPENSES	13,233,419	9,663,097
DEPRECIATION AND AMORTIZATION	201,155	178,145
	<u>13,434,574</u>	<u>9,841,242</u>
	1,725,611	1,179,238
INTEREST INCOME	—	104,462
	<u>1,725,611</u>	<u>1,283,700</u>
PROVISION FOR INCOME TAXES	877,883	638,100
NET EARNINGS FOR THE YEAR	<u>847,728</u>	<u>645,600</u>
RETAINED EARNINGS – BEGINNING OF YEAR	2,694,180	2,123,186
	<u>3,541,908</u>	<u>2,768,786</u>
Dividends paid (note 5)	157,947	74,606
Tax paid on 1971 undistributed surplus	15,000	—
	<u>172,947</u>	<u>74,606</u>
RETAINED EARNINGS – END OF YEAR	<u>\$ 3,368,961</u>	<u>\$ 2,694,180</u>
NET EARNINGS PER SHARE (note 6)	<u>79¢</u>	<u>61¢</u>

Consolidated Statement of Source and Use of Working Capital

for the year ended March 31, 1974

	1974	1973
SOURCE OF WORKING CAPITAL		
Net earnings for the year	\$ 847,728	\$ 645,600
Items not affecting working capital –		
Depreciation and amortization	<u>201,155</u>	<u>178,145</u>
Provided from operations	1,048,883	823,745
Payment of share subscription receivable (note 4)	4,050	4,050
Issue of share capital (note 4)	18,720	5,760
Working capital of subsidiary acquired	<u>—</u>	<u>660,204</u>
	<u>1,071,653</u>	<u>1,493,759</u>
USE OF WORKING CAPITAL		
Tax paid on 1971 undistributed surplus	15,000	—
Dividends paid (note 5)	157,947	74,606
Additions to fixed assets (net)	317,873	349,664
Decrease (increase) in long-term debt (note 3)	(29,693)	70,537
Investment in subsidiaries	<u>—</u>	<u>756,286</u>
	<u>461,127</u>	<u>1,251,093</u>
INCREASE IN WORKING CAPITAL	610,526	242,666
WORKING CAPITAL – BEGINNING OF YEAR	<u>2,706,239</u>	<u>2,463,573</u>
WORKING CAPITAL – END OF YEAR	<u><u>\$ 3,316,765</u></u>	<u><u>\$ 2,706,239</u></u>

Notes to Consolidated Financial Statements

for the year ended March 31, 1974

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Black Photo Corporation Limited and its wholly-owned subsidiaries, Eddie Black's Limited, Educational Film Distributors Limited and R & H Products Limited.

2. FIXED ASSETS

Fixed assets and related accumulated depreciation are classified as follows:

	1974			1973
	Cost	Accumulated depreciation	Net	Net
Land	\$ 94,077	—	\$ 94,077	\$ 94,077
Buildings	523,520	\$ 122,906	400,614	421,672
Furniture, fixtures, machinery and equipment	1,496,763	987,327	509,436	482,279
Motor vehicles	123,819	51,911	71,908	54,017
Leasehold improvements	309,944	155,690	154,254	61,526
	<u>\$2,548,123</u>	<u>\$1,317,834</u>	<u>\$1,230,289</u>	<u>\$1,113,571</u>

Depreciation has been recorded at the maximum rates allowable for income tax purposes, except for plant equipment, on which depreciation is recorded at 12½% of original cost per annum.

3. LONG-TERM DEBT

Long-term debt is classified as follows:

	1974	1973
7½% mortgage loan, due March, 1987	\$ 79,934	\$ 83,471
Balance payable re purchase of a subsidiary, without interest	167,500	201,000
	<u>247,434</u>	<u>284,471</u>
Less: Current portion	3,807	70,537
	<u>\$ 243,627</u>	<u>\$ 213,934</u>

The balance payable re purchase of a subsidiary is subject to abatement if operating results are not main-

tained and is due in instalments which are dependent on the operating results in the five years ending December 31, 1975.

4. CAPITAL STOCK

- a) During the year the articles of incorporation of the company were amended to provide for the re-classification of the 2,300,000 shares without par value as 2,300,000 class A participating convertible shares without par value and for the creation of 2,300,000 class B participating convertible shares without par value and 1,000 common shares.

The class A and class B shares are voting, convertible into one another on a share for share basis and rank equally with respect to dividends and in all other respects. The only distinction between the two classes is that the directors may specify that cash dividends on class B shares be paid first out of 1971 tax-paid undistributed surplus on hand and then out of 1971 capital surplus on hand (as those expressions are defined in the Income Tax Act of Canada) with the result that class B dividends so paid will be less than the class A dividends by the amount of the tax paid thereon. The receipt of such dividends by the class B shareholders results in a reduction of the adjusted cost base of their shares with the effect that any gains realized on the disposal of the shares will be increased (or any losses reduced) for capital gains purposes.

- b) During the year 550,900 class B shares were issued as a result of the aforementioned conversion right.

The issued capital stock at March 31, 1974 is summarized below:

Class A shares	520,700
Class B shares	550,900
Total	<u>1,071,600</u>

- c) At March 31, 1974 options for the purchase of 7,600 shares were outstanding to certain key employees of the company for varying periods terminating in 1976 at a price of \$3.60 per share. During the year 5,200 shares were issued under the plan for a cash consideration of \$18,720 and options for the purchase of 1,200 shares were cancelled.

The unpaid subscription of \$24,300 relates to shares issued under a former stock option plan and is payable in equal annual instalments of \$4,050 to August, 1979.

5. DIVIDENDS

The following dividends have been declared and paid during the years ended March 31 :

	Cents per share	
<u>1974</u>		
Class A shares	16.0	\$ 83,752
Class B shares	13.6	<u>74,195</u>
		<u>\$157,947</u>
<u>1973</u>		
Shares without par value	7.0	<u>\$ 74,606</u>

6. PRINCIPLES OF EARNINGS PER SHARE

Earnings per share are based upon the weighted average number of shares outstanding during the year. The exercise of outstanding options to purchase shares would not have a material effect on net earnings per share.

7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers as defined by The Business Corporations Act amounted to \$248,000 (1973—\$194,300).

8. LEASE COMMITMENTS

The total amount of rentals paid during the year ended March 31, 1974 under leases (including additional rent payable as a percentage of sales) was \$264,259.

The minimum total rentals under existing leases (excluding occupancy charges and additional rent paid as a percentage of sales) will be as follows :

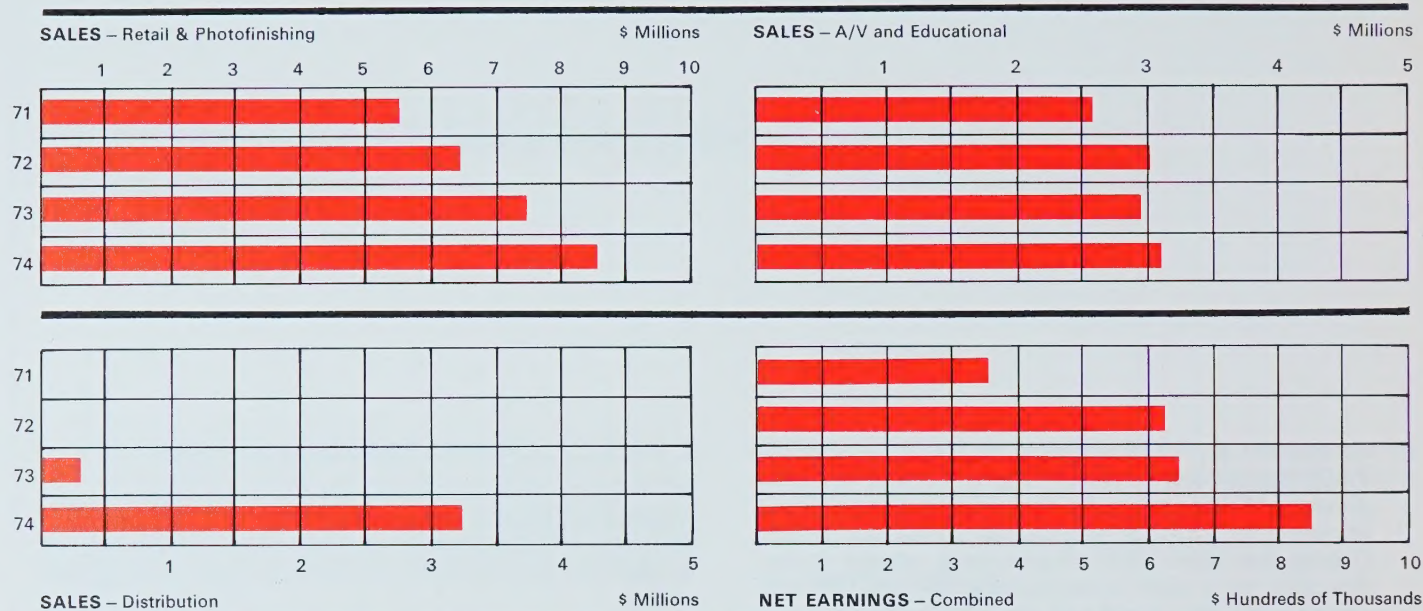
1975—1979	\$1,012,725
1980—1984	500,000
After 1984	3,350

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Black Photo Corporation Limited and subsidiaries as at March 31, 1974 and the consolidated statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1974 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants



Historical Financial Review

	1974	1973	1972	1971
Net Sales	\$15,160,185	\$11,020,480	\$ 9,462,124	\$ 8,060,843
Net Earnings	847,728	645,600	618,888	366,030
Earnings per Share	79¢	61¢	58¢	35¢
Earnings as percentage of sales	5.6	5.9	6.5	4.5
Dividends paid	\$ 157,947	\$ 74,606	—	—
Current Assets	5,038,032	4,410,873	\$ 3,324,248	\$ 2,436,395
Current Liabilities	1,721,267	1,704,634	860,675	603,263
Total Assets	6,664,346	5,920,469	4,566,242	3,740,211

